

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 3901 – HB 3787

April 12, 2010

SUMMARY OF AMENDMENT (015100): Adds language to the original bill that removes the limitation requiring job tax credits be authorized only for counties meeting the “enhancement county” definition.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$49,800,000/Recurring
Increase State Expenditures – \$15,100/One-Time
\$275,100/Recurring

(Reflected in the Governor’s FY10-11 Recommended Budget)

Increase Local Revenue - \$14,300,000/Recurring

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$49,800,000/Recurring
Increase State Expenditures – \$15,100/One-Time
\$275,100/Recurring

(Reflected in the Governor’s FY10-11 Recommended Budget)

Forgone State Revenue – Exceeds \$112,500/Recurring

Increase Local Revenue - \$14,300,000/Recurring

Assumptions applied to amendment:

- According to the Department of Economic and Community Development (ECD), there are 87 counties that meet the definition of “enhancement county” under current law; eight counties do not meet the definition.
- If a qualified business enterprise elects to locate to one of the eight counties not currently considered an enhancement county as a result of this bill as amended, but would have located to an enhancement county in absence of the bill as amended, the net

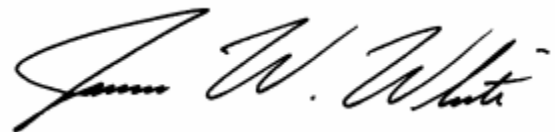
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change to state revenue would be not significant because they would have received the job tax credits regardless.

- The fiscal impact of this amendment is dependent upon several unknown factors such as (1) the number of business enterprises that would relocate only to one of the eight counties not currently considered enhancement counties as a result of this bill as amended, (2) the number of such business enterprises that will meet all capital investment and other criteria for qualification, and (3) the number of new qualified jobs created.
- Pursuant to Tenn. Code Ann. § 67-4-2109(a)(7), the minimum required capital investment for a qualified business enterprise to become eligible for job tax credits is \$500,000.
- Pursuant to Tenn. Code Ann. § 67-4-2109(b)(1)(C), a qualified business enterprise must create at least 25 qualified jobs within 12 months of the effective date of the business plan to become eligible for job tax credits.
- Pursuant to Tenn. Code Ann. § 67-4-2109(b)(1)(A), the job tax credit is \$4,500 for each qualified job created.
- A minimum of one additional qualified business enterprise will relocate to Tennessee each year that would not have relocated in the absence of this bill; such qualified business enterprise will create a minimum of 25 new jobs.
- The minimum amount of job tax credits that will be authorized is estimated to be \$112,500 per year (25 new jobs x \$4,500 jobs tax credit x 1 enterprise = \$112,500).
- Pursuant to Tenn. Code Ann. § 67-4-2109(a)(1), the Commissioner of Revenue and ECD is required to make a determination that the capital investment or jobs would be in the best interests of the state, which includes a determination that such capital investment and jobs would only occur as a result of the job tax credits provided with this bill as amended. As a result, the fiscal impact of this amendment is forgone state revenue exceeding \$112,500 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc